

Retiree

NEWS

January 2005

Indiana Public Employees' Retirement Fund

IRS FORM 1099-R TO BE MAILED THIS MONTH

If you have received any funds (either as a check or direct deposit) from PERF in 2004, PERF will mail one or more copies of Internal Revenue Service Form 1099-R by January 31, 2005, to the address in your member records. This form must be filed with your 2004 income tax returns. If this is your first time receiving the form, you may have questions about Boxes 5 and 7 or why you received more than one 1099-R.

A 1099-R looks quite similar to a W-2, which you received at the end of each year you earned wages. If you received more than one type of distribution in the past year, PERF is required by federal law to send a separate 1099-R for each source, much like receiving a W-2 from more than one employer in a year.

MORE THAN ONE 1099-R

Example: Sara Doe received twelve identical monthly checks from PERF last year. She has received these checks since becoming eligible for a disability retirement three years ago. But she will receive two different 1099-R's. Why?

Answer: On March 21st, Sara passed the age of 59 1/2. Up to that time, her payments were classified as disability benefits. She reached her age milestone after the 15th of the month, so that month remains in the disability classification. This 1099-R has Distribution Code '3' (Disability) in Box 7.

The other 1099-R covers April through December, and has Distribution Code '7' in Box 7. Although the amount she received each month did not change, the "type" of benefit being paid did change from a disability benefit to a normal retirement benefit because of her age. Next year, Sara will receive a single 1099-R covering all twelve months for a normal retirement distribution.

Altogether, the 1099-Rs you receive cover all the funds distributed to you from PERF.

UNDERSTANDING BOX 7:

Distribution Code	Explanation
1	Early Distribution (before 59 1/2), no known exception
2	Early Distribution (before 59 1/2), exception applies
3	Disability
4	Death
7	Normal Distribution
G	Direct Rollover to eligible retirement plan or IRA
4G	Direct Rollover of Death Benefit to eligible retirement plan or IRA

When you file your taxes, the instructions may ask for these codes.


UNDERSTANDING BOX 5

Under PERF's two-part plan, 3% of your gross wages

Continued on page two

were reported to PERF as mandatory contributions to your Annuity Savings Account (ASA). If this 3% was taken out of your check, these are considered post-tax contributions, and therefore, income tax was already paid on these funds. Due to our IRS qualification, you recover the non-taxable credit (exclusion) over a period of time, rather than all at once, when you retire. Box 5 indicates the amount of non-taxable exclusion you recovered this year. Once you have recovered all of your exclusion, this box will change to zero and all of your benefit will be considered taxable. The amount of benefits you received this year that are considered taxable is in Box 2.

When you complete your tax returns, be sure to include all of your 1099-Rs. If an accountant or other professional prepares your returns, provide either the originals or copies (as well as any others you receive) to your tax preparer. If you have further questions, please contact the PERF Call Center number at the bottom of this page.

 All information in this publication applies only the Public Employees' Retirement Fund and not to any other plans or funds administered by PERF.

RE-EMPLOYMENT FOR RETIRED MEMBERS

You always have the option of working after you retire. The question is, will your retirement benefits be reduced or suspended because you are earning additional income? The chart below illustrates how employment might affect the amount of benefit you receive per year if you return to work after retirement.

Type of Employment/Age of Member	Maximum earnings before limitation
Any position not covered by PERF/At any age	No limit on earnings
Any type of employment/full Social Security retirement age or older	No limit on earnings
Re-employed in a PERF-covered position/ Less than normal Social Security retirement age.*	\$25,000 or more gross wages in a year

* Will be reenrolled in PERF when hired.

If you are in the last category in the chart, when you reach the earnings limitation in any year, your PERF retirement benefit will be suspended and the mandatory 3% Annuity Savings Account contributions will start. You will begin receiving benefit payments again in January of the following year, and will get your monthly benefit until your gross wages for that calendar year exceed \$25,000. The earnings limitation applies each year until you reach normal Social Security retirement age.

PERF DISABILITY RECIPIENTS

If you are currently receiving a disability benefit from PERF, the Federal Social Security Administration will allow you to return to employment in a PERF-covered position on a trial work period. If you qualify for this, you will continue to receive your PERF disability benefits and you will not be enrolled in PERF until the Social Security Administration terminates your benefits. Once you are no longer receiving the Social Security benefit, you and your employer are required to complete a Membership Record and begin making contributions to the Fund.

If PERF is not contacted when the Social Security Administration has terminated the benefit, the member will be required to reimburse the Fund any overpayment after the cessation of the Social Security benefit.

DEATH AFTER RETIREMENT

The death of a family member is always a sad, confusing time. You can help assure timely payment of beneficiary benefits by reporting the death to PERF.

It is a good idea to ask for several copies of the death certificate. This is the simplest and least expensive way in dealing with benefits and estate issues later.

WHEN A MEMBER DIES

When a member dies, send a copy of the death certificate to PERF. That will begin the process of providing the benefits the member's named beneficiary should receive. The Fund will notify the beneficiary if any action on their part is necessary. For this reason, it is very important that PERF be kept up to date on any address changes.

WHEN A BENEFICIARY DIES

When your beneficiary dies while you are receiving benefits, you may make beneficiary or option changes. This depends on the payment options you chose upon retirement. Check with PERF for your options.

DECLINING A BENEFIT

Indiana law allows a beneficiary to decline a bequest if they feel it is in their interest to do so. The law also determines how the bequest will be handled if the beneficiary declines it. For more specific information on your situation, please contact PERF directly.

MEMBERS IN AN ELECTED OFFICE

If you are receiving monthly retirement benefits and are elected or appointed to an elected position covered by PERF, you may:

- **Continue receiving your benefits.** You will not earn additional service credit, and you may choose to make Annuity Savings Account contributions, but are not required to do so.
- **Stop your retirement benefits.** Mandatory 3% contributions must be made to your ASA. You and your employer will be required to complete a Membership Record, and you will earn additional service credit.

BENEFITS WILL INCREASE BY 2%

Those who had an effective date of retirement beginning December 1, 2003, or before (or their beneficiaries), will see a 2% (or minimum of five dollars) increase in the pension portion of their monthly benefits, beginning this month. This Cost of Living Adjustment (COLA) was approved by the Indiana Legislature. This increased amount continues as long as you receive monthly benefits. In some years past, PERF benefits recipients also received a one-time payment, known as the "13th check," in addition to twelve monthly benefit checks. However, a 13th check was not approved by the General Assembly in 2004.

UPDATE YOUR ADDRESS

You must report any name and/or address change directly to PERF in writing. Be sure to include:

- Social Security Number
- Previous name and/or address
- New name and/or address
- Any legal document for a name change (divorce decree or marriage license)
- Printed name and signature

RIPEA is open to active and retired members of the Public Employees' Retirement Fund. It is totally supported by their membership dues of \$10 per year.

RIPEA's services include:

- Insurance options, including group health and life, dental, hearing, and long-term care
- A quarterly newsletter

For more information, contact RIPEA at 317-789-0244, or toll-free at 1-800-345-9214 (the number for hearing-impaired customers is 1-800-759-1089). Visit them online at www.ripea.org.

ASA DEFERRAL ENDS AT AGE 70 1/2

When you applied for retirement benefits, did you opt to leave your Annuity Savings Account (ASA) invested with PERF? The IRS requires that PERF retirees begin receiving their Annuity Savings Account balance within the calendar year after they turn age 70 1/2. You may choose to have a monthly ASA amount added to your pension benefit payments for the rest of your life, or take a total distribution paid directly to you or as a rollover to a qualified account. You may not be able to rollover your entire ASA account due to the minimum distribution requirements. If you choose to take a total distribution, PERF will automatically withhold 20% for federal taxes, as well as any additional tax consequences on your yearly income. Check with PERF for details about what choices you have when your deferral period ends.

DIRECT DEPOSIT

Direct deposit guarantees your monthly check will not be late, lost, or stolen in the mail. On the 15th of each month, PERF deposits your monthly benefits electronically into the account of your choice. You have instant access.

HOW TO SIGN UP

Call or write PERF for a direct deposit form, or you can get a copy from the PERF website. You will receive notification that your benefit has been deposited into your chosen account. Making future changes is a simple process.

IF YOU DO NOT RECEIVE A 1099-R

Retirees should receive a 1099-R for 2004 by mid-February. By law, these forms must be mailed by financial institutions no later than January 31st. If you have not received yours, we may not have your correct mailing address. Every year, the Fund receives many pieces of returned mail for which there is no forwarding address, a member or retiree has not filed a change of address, or the post office does not recognize the address as valid.

If you have not received your 1099-R by February 15, please call PERF to verify your address. (Waiting until then ensures the problem is not slow mail delivery.) If the address on file is correct, we can simply mail you a duplicate. If not, you may need to send the Fund a written change of address.

Retiree NEWS

A publication of the Indiana Public Employees' Retirement Fund, a system of six retirement plans designed in partnership with employers and elected officials to provide secure long-term retirement benefits for employees who choose careers in public service.

PUBLISHED JANUARY 15TH, 2005.



EDITORIAL:

Patrick Lane
Director of External Affairs

Martha Poitevin Page
Publication Specialist

LAYOUT:

Lisa Barton
Design Specialist